

**Senate Budget and Fiscal Review—Mark Leno, Chair**  
**SUBCOMMITTEE NO. 1 on Education**



**Subcommittee No. 1**  
**Chair, Marty Block**  
**Member, Roderick Wright**  
**Member, Mark Wyland**

**Tuesday, May 21, 2013**  
**1:30 p.m.**  
**Room 3191, State Capitol**

**MAY REVISE OVERVIEW HEARING:**  
**PROPOSITION 98 & K-14 EDUCATION ISSUES**

**Consultants: Keely Bosler & Kim Connor**

<b><u>Item</u></b>	<b><u>Department</u></b>	<b><u>Page</u></b>
<b>6110</b>	<b>California Department of Education</b>	
<b>6870</b>	<b>California Community Colleges</b>	
Issue 1	Proposition 98 Overview	Page 2
Issue 2	Adult Education	Page 7
<b>6870</b>	<b>California Community Colleges</b>	
Issue 3	Apportionment Adjustments	Page 11
Issue 4	Community College Deferral Adjustments	Page 13
<b>6110</b>	<b>California Department of Education</b>	
Issue 5	Common Core Standards Implementation	Page 14
Issue 6	Local Control Funding Formula	Page 16

**Public Comment**

---

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible.*

Issue 1: <b>PROPOSITION 98 OVERVIEW</b>
---

**Panelists:**      Department of Finance  
                     Legislative Analyst's Office  
                     Department of Education  
                     Community College Chancellor's Office

**GOVERNOR'S MAY REVISION PROPOSALS.**

**Proposition 98 Funding Overall – K-14 Education:**

- **Current Year – Proposition 98 Funding Increases by \$2.9 Billion.** The Governor proposes total Proposition 98 spending of **\$56.5 billion** in 2012-13 for K-14 education, which reflects the estimated minimum guarantee at May Revise. Due to changes in General Fund revenues, the Proposition 98 funding level is **\$2.9 billion** higher than the estimate of the minimum funding guarantee in January. The guarantee increases by \$1.1 billion, as a result of higher total 2012-13 General Fund revenues. The guarantee also increases by \$1.8 billion due, to a higher maintenance factor payment. This higher payment is driven by higher year-to-year growth in General Fund revenues. The year-to-year growth increases significantly, relative to the January estimates because (1) 2011-12 General Fund revenues *decrease* by \$300 million and (2) 2012-13 General Fund revenues *increase* by \$2.9 billion.
- **Budget Year – Proposition 98 Funding Decreases by \$941 Million.** The Governor proposes Proposition 98 funding of **\$55.3 billion** for K-14 education in 2013-14, which reflects the estimated minimum guarantee at May Revise. This reflects a decrease of **\$941 million** from the minimum guarantee level in January. The reduction in the guarantee is primarily driven by decreases in 2013-14 General Fund revenue estimates, which are \$1.8 billion lower than January levels.

**Inter-Year Payment Deferrals – K-14 Education:** The Governor's May Revise accelerates and increases inter-year payment deferrals for both K-12 schools and the community colleges. Overall, the May Revision retires an additional **\$760 million** in deferrals in the current and budget years, relative to the January budget (\$4.2 billion total deferral payments in January, \$4.9 billion in the May Revision), as follows:

- **Current Year – Additional Deferral Paydowns.** Pays down **\$1.8 billion** in additional deferrals for K-14 education (\$1.6 billion for K-12 education and \$180 million for community colleges), for a total paydown of **\$4.0 billion** in 2012-13.
- **Budget Year – Reduction in Deferral Paydowns.** Reduces deferral paydowns by **\$1 billion** for K-14 education (\$909 million K-12 education and \$115 million community colleges), for a total K-14 budget year paydown of **\$920 million** in 2013-14.

<b>Issue 1:      PROPOSITION 98 OVERVIEW</b>
--

Ongoing K-14 deferrals – utilized to mitigate programmatic reductions for K-12 schools and community colleges – reached an all-time high of **\$10.4 billion** in 2011-12. The 2012-13 budget act reduced K-14 deferrals to **\$8.2 billion**. The Governor’s May Revise will further reduce K-14 deferrals to a total of **\$5.5 billion** in 2013-14.

**Other Major K-12 Education Proposals.**

- **Additional Funding for Local Control Funding Formula .** The May Revision proposes an additional **\$240 million** for implementing the LCFF, bringing total 2013–14 funding for LCFF implementation up to \$1.9 billion. The Governor also makes various modifications, mostly relating to the proposed funding supplement for English learners and low-income students. Additionally, the Governor proposes to strengthen academic accountability by developing a tiered intervention system through which county superintendents, the Fiscal Crisis and Management Assistance Team and the Superintendent of Public Instruction could intervene in districts failing to meet academic performance targets.
- **Special Education Backfill.** The Governor proposes **\$60 million** in Proposition 98 funding to backfill the loss of federal special education funding, due to the sequestration reduction effective in 2013-14. These new funds will be allocated to Special Education Local Planning Areas (SELPA), based on the AB 602 funding formula.

**Other Major Community College Proposals.**

- **Apportionment Adjustments.** The May Revision rescinds the Governor’s January proposal to provide an unallocated base increase to CCC of \$197 million. Instead, the May Revise provides **\$226.9 million** additional Proposition 98 General Fund to be allocated as follows: **\$87.5 million** for a cost-of-living adjustment; **\$89.4 million** for growth and to restore access; and **\$50 million** for student support services, as detailed in the Student Success Act of 2012. Enrollment growth and the cost-of-living adjustment each represent base increases of 1.6 percent. [Note: The Governor’s May Revise proposals for Community College apportionments are discussed separately in Issue #3 of the Subcommittee agenda.)
- **Adult Education.** The January budget proposed to restructure and increase funding for the adult education system, currently administered by CCC and K-12 school districts, by setting aside \$300 million Proposition 98 General Fund in 2013-14 for adult education. The May Revision withdraws this proposal and maintains the status quo for two years, and proposes the development of regional adult education consortia, supported with additional dedicated adult education funding. This includes \$30 million in 2013-14 for two-year planning grants, and \$500 million in 2015-16 to support the regional consortia of community college districts and school districts. Funding would be prioritized to core areas of instruction. [Note: The Governor’s May Revise proposal for Adult Education is discussed separately in Issue #2 of this agenda.)

<b>Issue 1: PROPOSITION 98 OVERVIEW</b>
---

**LAO COMMENTS/RECOMMENDATIONS:**

- **Mix of One-Time and Ongoing Spending Reasonable.** The LAO believes the May Revision approach of using new one-time 2012–13 funds for one-time initiatives (including the acceleration of deferral pay downs) is prudent. The LAO also thinks the May Revision 2013–14 approach of dedicating about one-quarter of new resources to paying down deferrals, and the remainder to building up ongoing programmatic spending, is reasonable. Although the Governor dedicates a smaller share of new resources in 2013–14 to paying down existing obligations under the May Revision, compared to the January plan, the May Revision pays down more deferrals across the two-year period. Though the state will face a somewhat greater challenge in 2014–15 in finding available resources to continue paying down deferrals given this approach, the amount of total outstanding deferrals will be lower by \$760 million moving into 2014–15.
- **One-Time Common Core Implementation Initiative Raises Important Issues to Consider.** According to the LAO, the Legislature has several important issues to consider regarding how best to spend an additional \$1 billion in one-time funding. The Legislature faces significant trade-offs in deciding whether to use the funding for Common Core implementation or other existing one-time obligations. According to the LAO, if the Legislature were to deem Common Core implementation the highest of these priorities, it then would want to consider both how much to provide and what requirements, if any, to link with the funding. As part of this decision making, the Legislature would want to consider the amount of existing local, state, and federal resources that can be used to cover Common Core implementation costs, such that the additional amount of state resources provided could cover, otherwise unaddressed, implementation costs.
- **Special Education Backfill Proposal Is Reasonable.** The LAO believes the Governor’s proposal to increase Proposition 98 spending for special education is reasonable. Though the state is not obligated to backfill this cut in federal funding, school districts are required by federal law to provide special education services, and a reduction in federal funding would likely lead to an increase in the amount of local general purpose funds school districts would have to dedicate for these services. This likely would exacerbate a recent trend in which school districts appear to be bearing a greater share of special education costs, as growth in state categorical and federal IDEA funds have not been keeping pace with growth in special education costs over the last several years.
- **Proposed Community College Base Augmentations Have Merit.** In their analysis of the Governor’s January proposal to provide an unallocated increase to CCC, the LAO voiced serious concern that such an approach would provide no assurance that the Legislature’s priorities would be met. According to the LAO, the May Revision addresses this concern by funding specific and high legislative priorities, such as access (enrollment) and student support services. As such, the LAO recommends the Legislature approve the administration’s May Revision proposal.

Issue 1: <b>PROPOSITION 98 OVERVIEW</b>
---

- **General Fund Proposition 98 Costs Higher Than Estimated in May Revision.** The Governor's May Revision fails to recognize additional General Fund Proposition 98 costs related to the allocation of Education Protection Account (EPA) funds. Proposition 30 requires that each school district receive at least \$200 in EPA funds per student, and each community college district receives at least \$100 per FTE student. For most districts, EPA funds will be used to pay for costs that otherwise would have been paid with state General Fund dollars. As a result, those EPA allocations will not increase state costs. Some districts, however, do not receive base state funding because associated costs can be met entirely with their local property tax revenues. For these districts--known as basic aid districts--EPA allocations will result in higher state costs. The May Revision does not account for these costs. The LAO estimates the annual cost in 2012–13 and 2013–14 at \$68 million (\$62 million for school districts and \$6 million for community college districts). The LAO recommends the Legislature include these costs in building its Proposition 98 budget package, and reduce spending in other Proposition 98 programs, to maintain spending at the minimum guarantee in both 2012–13 and 2013–14.

**LAO COMMENTS ON OVERALL PROPOSITION 98 REVENUES AND EXPENDITURES.**

1. ***Due to Maintenance Factor Application, Additional Revenues Provide Little Net Benefit to State's Bottom Line.*** Under the Governor's current maintenance factor, schools and community colleges benefit significantly from improvements in General Fund revenues, but the rest of the budget benefits little. Such a maintenance factor limits Legislature's ability to build reserves or fund non-Proposition 98 programs.
2. ***LAO Alternative Maintenance Factor Approach Would Free Up At Least \$2.9 Billion.*** If the Legislature took the LAO alternative maintenance factor approach, no additional current-year funding to schools would be necessary (saving \$2.9 billion). In 2013-14, the Legislature would have more of this funding available to meet its priorities (including building a reserve, funding non-school programs, or further augmenting school programs).
3. ***Adopting LAO Revenue Estimates Increases Minimum Guarantee, Provides Some Funding for Other Programs.*** The LAO forecasts \$3.2 billion in additional General Fund revenues in 2011-12, 2012-13, and 2013-14 combined. Under the LAO revenue forecast, the minimum guarantee would increase \$900 million in 2012-13 and \$1.6 billion in 2013-14. Roughly \$700 million would be available for increasing the reserve or funding other programs.
4. ***If Using Higher Revenues, Many Reasons to Adopt Cautious Approach.*** Given the uncertainty and volatility of revenues, the Legislature may want to build a higher reserve if using higher revenue estimates. The Legislature also may want to be cautious in building up ongoing Proposition 98 programs to avoid having to make midyear programmatic cuts if higher revenues do not materialize.

<b>Issue 1: PROPOSITION 98 OVERVIEW</b>
---

**SUGGESTED QUESTIONS:** Several issues covered in this agenda item, will be discussed further in upcoming agenda items. Staff suggests the following questions for those issues not being discussed later in the agenda.

1. The Governor's May Revise revenue estimates result in an additional \$2.9 billion in Proposition 98 funding in 2011-12 and a decrease of in Proposition 98 funding of nearly \$1 billion in 2012-13. What are the factors associated with these adjustments which increase Proposition 98 funding in the current year but decrease Proposition 98 funding in the budget year?
2. What effect does the Governor's maintenance factor approach have on the Proposition 98 minimum guarantee in 2012-13? What is the ongoing effect on Proposition 98 funding?
3. The LAO estimates higher Proposition 98 funding levels based upon their May Revise revenue forecast. How much additional funding would be available for Proposition 98 in the current year and budget year under the LAO's revenue estimate?
4. The Governor continues his attention to reducing ongoing, inter-year payment deferrals for K-12 schools and community colleges at May Revise. What are the benefits of reducing deferrals to K-12 schools and community colleges? While the Governor's plan reduces deferrals for K-12 schools and community colleges to \$5.5 billion in 2013-14 – nearly half of 2011-12 level of \$10.4 billion – what is the ongoing hardship for K-12 local educational agencies and community college districts?
5. The Governor's proposes \$61 million to backfill the loss of federal special education funds in 2013-14 resulting from recent federal sequestration reductions. This amount includes \$2.1 million for infant and preschool programs. Is the backfill necessary for the Governor's bifurcation proposal? How will backfill funds be allocated? Does the Governor backfill sequestration cuts for other federal education programs?

**6110 California Department of Education**  
**6870 California Community Colleges**

<b>Issue 2: ADULT EDUCATION</b>
---------------------------------

**Panelists:** Department of Finance  
Legislative Analyst's Office  
Department of Education  
Community College Chancellor's Office

**GOVERNOR'S MAY REVISION PROPOSALS:**

**Governor Offers New Adult Education Program Proposal.**

The Governor's May Revise rescinds the January proposal that would have provided community colleges with **\$300 million** in base funding for adult education in 2013-14. Instead, the Governor proposes to provide **\$30 million** in 2013-14 for community colleges and school districts (through their adult schools), to create joint plans for serving adult learners in their area. The Governor proposes both budget bill language and education trailer bill language to implement the new proposal.

Under the May Revise proposal, \$30 million in Proposition 98 funds are appropriated to the community colleges in 2013-14 for adult education planning grants. These funds will be distributed to regional consortia of community colleges and school districts. Grant awards will be selected by the California Community Colleges Chancellor's Office and the California Department of Education.

The regional consortia will create a plan to serve adults in the region. Providers would have two years to form regional consortia and develop plans for coordinating and integrating services. Regional consortia participants could include local correctional facilities, other public entities, and community-based organizations.

Beginning in 2015-16, the Administration proposes to provide **\$500 million** in Proposition 98 funding for a new **Adult Education Partnership Program**, which will provide funding to the regional consortia to deliver adult education. This new funding will be appropriated to the Chancellor's Office. In order to be funded, regional consortia shall include, at a minimum, one community college district and one school district. The community college shall act as the fiscal agent for the grant.

<b>Issue 2: ADULT EDUCATION</b>
---------------------------------

Each regional consortium shall create a plan to serve adults in their region, which shall include, at a minimum:

- Current levels and types of adult education programs within their region, including correctional education, and including credit, noncredit, and enhanced noncredit adult education coursework.
- Current need for adult education programs within their region.
- Plans for parties that make up the consortium to integrate their existing programs.
- Plans to address the gap identified between services levels and identified needs.
- Plans to integrate existing programs with funding received from the Adult Education Partnership Program.

The California Community College Chancellor's Office and the State Department of Education may identify additional items consortia must include in the plan.

Consistent with his approach in January, the Governor limits funding for the Adult Education Partnership Program to five "core instruction areas", including:

- adult elementary and secondary education,
- vocational training,
- English as a second language,
- adults with disabilities, and
- citizenship.

The funding rate for the regional consortia will be based on the career development college preparation rate (enhanced non-credit rate) of **\$3,232** per full-time equivalent student. This rate would be subject to annual cost-of-living adjustments.

Of the funds made available for the Adult Education Partnership Program, a minimum of two-thirds of the total shall be restricted to existing providers in the regional consortia, if they maintain their 2012-13 levels of state funded spending for adult education and correctional education in 2013-14 and 2014-15.



<b>Issue 2: ADULT EDUCATION</b>
---------------------------------

**Governor Maintains January Proposal to Shift School Districts Apprenticeship Categorical Funds to CCC Budget.**

The Governor continues his January proposal to shift \$15 million in Proposition 98 funding for the Apprenticeship Program from the Department of Education to the community colleges. However, the May Revision makes some changes to allow school districts to use shifted apprenticeship funds for their own existing programs. The May Revision also removes the current community colleges apprenticeship program from categorical flexibility, thereby reestablishing the program as a restricted categorical program.

**Governor Continues January Proposal for Correctional Education, But Appears to Build Program into New Adult Education Program Moving Forward.**

The Governor's January budget proposes to eliminate approximately **\$15 million** for a K-12 categorical program that provides adult education coursework for individuals incarcerated in county jails in 2013-14. These funds would be rolled into the Local Control Funding Formula. The May Revision does not change this proposal, however the Governor's proposed trailer bill language builds correctional education into the new Adult Education Partnership Program.

**LAO COMMENTS/RECOMMENDATIONS**

**Promising Plan for Adult Education.** The LAO believes the May Revision adult education proposal is much better than the Governor's January proposal. By proposing a regional delivery model, the new plan would create a strong incentive for adult education providers to leverage their relative strengths and improve collaboration. By conditioning the bulk of new base funding on providers maintaining at least their current level of service, the May Revision also would create an incentive for providers to continue offering adult education programs in 2013–14 and 2014–15.

The LAO thinks the two-year planning time frame is reasonable. During this preparation period, providers would have an opportunity to identify program needs and create aligned curricula. At the same time, the Legislature, Chancellor's Office and the Department of Education could be addressing state-level issues in support of the regional consortia, such as developing a common course numbering system for adult education and deciding on the amount of funds each region would be eligible to apply for beginning in 2015–16.

While the LAO agrees with the overall approach proposed by the Governor, the LAO recommends the Legislature provide more flexibility for providers to organize themselves (for example, by allowing the Chancellor's Office to pass through funds to school districts if they are interested in being a consortium's fiscal agent).

<b>Issue 2: ADULT EDUCATION</b>
---------------------------------

**SUGGESTED QUESTIONS:**

1. The Governor's proposal states intent to build adult education funding and program aligned to adult education needs and outcomes? How is this achieved in the Governor's proposal?
2. The Governor's proposal creates a new regional structure of for adult education built upon partnerships among community college, K-12 and other providers. How will regions be defined for ? How many regions will result? What other providers are envisioned?
3. How will the \$30 million in planning funds be allocated to the regions? Will allocations to the regions assure a more equitable statewide distribution of funding based upon need?
4. Since much of the \$500 million new funding in 2014-15 is dependent upon spending in 2012-13, will that exclude areas of the state that have not received state funding in the past?
5. Under the Governor's plan, the funding rate for the new Adult Education Partnership Program would be based upon the community college enhanced non-credit rate, which is currently \$3,232 per full-time equivalent student. In contrast, prior to flexibility, the K-12 adult education rate was \$2,645 per student, as measured by average daily attendance. What is the Governor's rationale for selecting the enhanced non-credit rate for funding the new program?
6. Fees have been an important component to many K-12 adult education programs. How will the new program address differences in fee policies between K-12 adult schools and community colleges?
7. The Governor's new proposal limits Adult Education Partnership Program funding to five core instructional areas. Will community colleges and K-12 adult schools have the authority to continue other adult education programs through fees and other discretionary Proposition 98 funding, if they choose?

## 6870 California Community Colleges

<b>Issue 3:</b>	<b>Multi-Year Budget Plan – Base Apportionment Increases and Performance Expectations – May Revision Update</b>
-----------------	---

**Panelists:** Department of Finance  
Legislative Analyst's Office  
Community College Chancellor's Office

**Previous Subcommittee Hearing.** At the April 11 hearing, the January budget proposal for the CCC was heard in this subcommittee. In January the Governor proposed that CCC receive a \$197 million increase in base apportionment funding, with the allocation methodology to be determined by the Board of Governors. This was roughly a five percent increase over 2012-13. This funding was proposed to be linked to an expectation that the CCC improve their performance in the following four areas:

- ✓ Increased graduation and completion rates;
- ✓ Increased CCC transfer students enrolled at UC and CSU;
- ✓ Decreased time-to-degree; and
- ✓ Increased credit and basic skills course completion.

### GOVERNOR'S MAY REVISION PROPOSAL:

**May Revision.** The May Revision substitutes the unallocated base CCC increases the Governor proposed in January, for targeted augmentations. The May Revision allocates these funds, as follows: \$87.5 million for a cost-of-living adjustment (an increase of 1.57 percent); \$89.4 million for enrollment growth (an increase of 1.63 percent); and \$50 million to the Student Success and Support categorical that funds counseling and other support activities associated with student success. Combined these adjustments reflect \$227 million in funding for the CCCs, or an increase of \$30 million over the January 10 Proposition 98 General Fund proposed for 2013-14.

The Administration is not proposing performance measures for the CCCs and has indicated that it will continue to work on this issue over the next year. Furthermore, the May Revision provides that, of the \$50 million targeted for student support activities, up to \$7 million may be used by the Chancellor's Office for the development of E-Transcript and E-Planning tools.

### LAO COMMENTS/RECOMMENDATIONS:

**LAO Comments.** The LAO recommends approval of the Administration's May Revision proposal around CCC base apportionment.

**Staff Comments.** Staff finds that the May Revision has put forward a thoughtful plan for apportioning the growth funds allocated to the community college system. However, staff finds that this plan is missing restorations in two other key areas related to serving the students with disabilities population and the economically disadvantaged student population.

## 6870 California Community Colleges

<b>Issue 3: Multi-Year Budget Plan – Base Apportionment Increases and Performance Expectations – May Revision Update</b>
--

Both the Disabled Student Program and Services (DSPS) and the Extended Opportunity Programs and Services (EOPS) categorical programs were reduced significantly during the difficult budget years since 2008-09. While the CCCs have done a significant amount through their Student Success Taskforce to refocus existing resources on better serving their student population, including disabled and economically disadvantaged students, there are additional supports beyond those identified in the Student Success and Support categorical program, that are important to the overall success of disabled and economically disadvantaged students.

Specifically, students with disabilities often require specialized services, such as sign language interpreters and alternative media, to access education and these services must be provided in a timely manner so the student can be successful in completing coursework. Furthermore, the EOPS program has historically provided tutoring, textbook vouchers, computer loans and other support services outside of traditional counseling. These services further promote success of economically disadvantaged populations seeking education within the community colleges. Given this, staff finds that additional investments in DSPS and EOPS are warranted to complement the investments made in the Student Success and Support categorical which is the foundation to student supports at the CCCs.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff to develop a plan that includes additional funding for the DSPS and EOPS categorical programs.

### **SUGGESTED QUESTIONS:**

## 6870 California Community Colleges

<b>Issue 4: Pay Down of Existing Deferrals – May Revision Update</b>
--

**Panelists:** Department of Finance  
Legislative Analyst's Office  
Community College Chancellor's Office

**Previous Subcommittee Hearing.** At the April 11 hearing, the January budget proposal considered this item. In January, the Governor proposed \$179 million to pay down existing deferrals in the budget year. This would have lowered total system deferrals to \$622 million; the remaining deferred funding would be paid down by the 2016-17 fiscal year. The level of deferral “pay down” was consistent with, and proportional to, the payment of deferred funding in K-12 education; e.g., roughly a 50-50 split of new funding versus deferral pay down.

### **GOVERNOR’S MAY REVISION PROPOSAL:**

**May Revision.** In January, the deferral pay down amount for 2012-13 (the current year) was \$159.9 million; and the proposed pay down amount for 2013-14 was \$179 million. The May Revision proposes to use the current year increase in Proposition 98 obligations to pay down an additional \$179.9 million in deferrals (a total deferral pay down in 2012-13 of almost \$340 million).

The May Revision proposes to reduce the deferral pay down in the budget year by \$115 million, reflecting reduced estimates of Proposition 98 expenditures in the budget year. Overall, the May Revision reduces the CCC system-wide deferral to \$557.5 million. The payment of deferrals is consistent with, and proportional to, the payments in K-12 education.

### **LAO COMMENTS/RECOMMENDATIONS:**

**LAO Comment.** The LAO finds that the Governor’s May Revision approach of dedicating about one-quarter of new resources to paying down deferrals in the budget year is reasonable.

**Staff Comment.** From a fiscal and policy standpoint, it is prudent to reduce these inter-year deferrals, as they remain outstanding obligations on the state’s books. Deferrals also come with borrowing costs for districts, and may result in cash flow concerns caused by the delayed state payments.

## 6110 California Department of Education

<b>Issue 5. COMMON CORE STANDARDS IMPLEMENTATION</b>
--

**Panelists:** Department of Finance  
Legislative Analyst's Office  
Department of Education

### GOVERNOR'S MAY REVISION PROPOSAL

In August 2010, the State Board of Education revised the state's existing academic standards in English language arts and mathematics to align with the Common Core State Standards developed by the National Governor's Association and Council of Chief State School Officers.

In response, the Governor proposes **\$1 billion** in one-time Proposition 98 funding for school districts, charter schools, and county offices of education, for the purpose of implementing these State Board adopted "Common Core" academic content standards in 2013-14.

Funding is allocated to these local educational agencies "not sooner than September 16, 2013", and is available over a two year period.

Per the Governor, the \$1 billion, one-time, investment allows local educational agencies to make significant one-time investments in professional development, instructional materials, and technology necessary to implement Common Core standards.

Common Core standards, for purposes of the Governor's proposal, are defined as academic content standards adopted by the State Board of Education pursuant to Education Code Sections 60605.8, 60605.10, and 60605.11. The statutory provisions cover content standards for both: English language arts (ELA) and (2) mathematics.

The \$1 billion is apportioned to local educational agencies on the basis of average daily attendance (ADA) and provides an average of \$170 per pupil, outside of the Local Control Funding Formula.

Funding shall be expended by local educational agencies based upon a plan approved by its governing board or body. The governing board or body shall hold a public hearing on the plan prior to adoption of the plan in a public meeting.

The Governor proposes trailer bill language to appropriate the \$1 billion in one-time funding. While funds are appropriated in 2013-14, these one-time funds are attributable to the 2012-13 fiscal year for purposes of meeting the Proposition 98 minimum funding guarantee.

<b>Issue 5. COMMON CORE STANDARDS IMPLEMENTATION</b>
--

**LAO COMMENTS/RECOMMENDATIONS**

**One-Time Common Core Implementation Initiative Raises Important Issues to Consider.** According to the LAO, the Legislature has several important issues to consider regarding how best to spend an additional \$1 billion in one-time funding.

The Legislature faces significant trade-offs in deciding whether to use the funding for Common Core implementation or other existing one-time obligations. For example, the Legislature could use the funds to pay down additional deferrals, pay outstanding mandate claims, retire more of the Emergency Repair Program obligation (an obligation relating to a legal settlement), or fund other activities, such as facility maintenance, that have been reduced significantly over the past several years.

According to the LAO, if the Legislature were to deem Common Core implementation the highest of these priorities, it then would want to consider both how much to provide and what requirements, if any, to link with the funding.

As part of this decision making, the Legislature would want to consider the amount of existing local, state, and federal resources that can be used to cover Common Core implementation costs, such that the additional amount of state resources provided could cover otherwise unaddressed implementation costs.

**SUGGESTED QUESTIONS:**

1. What are the Administration's cost estimates for implementation of Common Core standards by school districts, charter schools, and county offices of education? Are the costs for all these entities the same?
2. The Governor's proposal allocates funding based upon average daily attendance (ADA). Would it be better to allocate these funds based upon enrollment?
3. The Governor's proposal funds implementation of ELA and math standards. Does this set a precedent for funding implementation of common core standards adopted in other subject areas?
4. The Governor's proposal broadly defines the uses of the \$1 billion to include: "instructional materials, professional development, and technology necessary to implement" Common Core academic content standards. What assurances does the state have that these funds will be utilized by local educational agencies to provide support implementation of Common Core standards for all students, such as English learners and students with disabilities?
5. Is professional development intended to be limited to teachers only, or could it also include training for administrators and classified staff?
6. Why are the three State Special Schools excluded from the allocation formula?

<b>Issue 6.</b>	<b>LOCAL CONTROL FUNDING FORMULA</b>
-----------------	--------------------------------------

**Panelists:** Department of Finance  
Legislative Analyst's Office  
Department of Education

**GOVERNOR'S MAY REVISION PROPOSAL.**

**Increased Funding.** The Governor's May Revision provides an additional **\$240 million** in Proposition 98 funding, above the January budget, to increase base resources for the **Local Control Funding Formula (LCFF)** in 2013-14. The Governor's proposal brings total new funding for LCFF to **\$1.9 billion** in 2013-14, the first year of implementation.

Of the \$240 million increase proposed by the Governor, **\$236 million** is provided for school districts and charter schools and **\$4 million** is provided for county offices of education in 2013-14.

**Continued Property Tax Offsets for County Offices of Education.** The May Revision proposes trailer bill language to ensure local property tax revenues, that currently fund regional occupational centers and programs, are included as part of a county office of education's 2012-13 state aid received through categorical programs, as replaced by the Local Control Funding Formula.

**Formula-Related Modifications.** The Governor proposes the following changes to supplemental and concentration funding under the LCFF:

- Require county offices of education to review school district English learner, free and reduced-price meal eligible student, and foster child data, and require this data to be subject to audit as part of each local educational agency's annual financial and compliance audit.
- Ensure that all local educational agencies report current English learner, free and reduced-price meal eligible student, and foster child data within the California Longitudinal Pupil Achievement Data System.
- Use a three-year rolling average percentage of English learners, free and reduced-price meal eligible students, and foster children for purposes of computing the supplemental and concentration grants; in order to prevent dramatic fluctuations in the data.
- Allow local educational agencies to receive supplemental and concentration grant funding for each English learner for up to seven years, instead of five years.
- Provide regional occupational centers and programs and home-to-school transportation joint powers authorities with continued funding for two years.
- Specify that funding for Local Control Funding Formula cost-of-living adjustments and transition funding are subject to an annual appropriation in the Budget, and clarify that base funding levels, as adjusted for average daily attendance, are continuously appropriated.



**Issue 6. LOCAL CONTROL FUNDING FORMULA**

**Expanded Accountability Features.** The Governor's May Revise greatly expands the accountability provisions of the LCFF proposal. More specifically, the May Revise proposes to:

- Require local education agencies to spend, for the primary benefit of English learners and students designated fluent-English proficient, free and reduced-price meal eligible students, and foster children, a minimum level of funding, based on the amount they spent for these students during 2012-13.

Further, upon full implementation of the Local Control Funding Formula, require local agencies to spend for the primary benefit of these students at least as much as they receive from the base, supplemental, and concentration grants generated by English learners, free and reduced-price meal eligible students, and foster children.

- Require expenditures of supplemental and concentration funds to be proportional to the number of English learners, free and reduced-price meal eligible students, and foster children at each school site.
- Allow the State Board of Education to provide direction to the Superintendent of Public Instruction to intervene, in place of the county superintendent, in a district which is failing to meet academic achievement targets.

For school districts that fail to meet academic achievement targets set by the State Board of Education for two out of three years, the county superintendent may disapprove local plans that are not likely to improve student achievement; and, in limited cases where a Fiscal Crisis and Management Assistance Team review deems necessary, a county superintendent may make changes to a district's plan or overturn decisions made by the district governing board.

- Allow the State Board of Education to provide direction to the Superintendent of Public Instruction to intervene, in place of the county superintendent, in a district which is failing to meet academic achievement targets.
- Add students residing in foster care as an identified demographic subgroup, for purposes of the Academic Performance Index and ensuring districts continue to spend. Reduce the minimum subgroup size for demographic subgroups, for purposes of the Academic Performance Index to 30 pupils.

## LAO COMMENTS/RECOMMENDATIONS

- **Overall LCFF Framework Remains Sound.** The LAO continues to believe that the overarching structure of the Governor's LCFF proposal is sound and recommends the Legislature adopt some variant of it.

The LAO believes most of the specific formula-related modifications to the LCFF, proposed in the May Revision, are reasonable; but likely would have only a minor effect on districts and their funding allotments. In a few cases (such as the new requirements related to school-site expenditures), the LAO is concerned that the modifications in the May Revision could limit districts' flexibility and increase their administrative burden.

The Governor's May Revision proposal, relating to academic accountability under the LCFF; seems generally reasonable to the LAO in that it attempts to outline certain steps county superintendents, FCMAT, and the SPI can take to intervene in struggling districts. According to the LAO, this proposal somewhat parallels existing practices for holding districts fiscally accountable. The LAO has some concerns, however, regarding the current capacity of the county superintendents, FCMAT, and the SPI to perform these duties effectively. As the Governor proposes to begin implementing the new system in 2015–16, the LAO thinks the Legislature could take some more time to consider the specific roles of each identified agency and then, accordingly, build their capacity to advise, support, and intervene in struggling districts.

- **Recommend Governor's County Office Proposal Be Postponed One Year.** As described in their January report, the LAO has serious concerns with the Governor's proposal for COEs. Specifically, the proposal: (1) increases funding for regional services while reducing the responsibilities of COEs, (2) compounds the existing lack of accountability over how COEs spend regional funding, and (3) increases alternative education funding by up to \$7,000 per student without clear justification. Given these concerns and the short amount of time remaining this budget season to address them, the LAO recommends the Legislature retain the existing COE funding formulas in 2013–14 and refine the Governor's proposal during the upcoming year. This alternative would allow the state additional time to consider carefully what activities should be required of all COEs and develop an appropriate funding rate for those activities beginning in 2014–15. If the Legislature were to adopt this recommendation, \$32 million would be freed up for other Proposition 98 purposes in 2013–14.

<b>Issue 6. LOCAL CONTROL FUNDING FORMULA</b>
---

**SUGGESTED QUESTIONS:**

1. The Governor's May Revise greatly expands the accountability provisions of the LCFF proposal, and initiates new programmatic accountability requirements that do not exist within the current categorical funding systems. What are the most important new provisions and how do they work together?
2. What is the timetable for implementation of the new accountability provisions proposed by the Governor? Will they accompany new funding in 2013-14?
3. The Governor's May Revise provides new assurances that supplemental and concentration funding be expended to provide "primary benefit" for the students generating those funds. How does the Administration define primary benefit?
4. The LAO recommended that language be added to the Governor's January proposal to assure that LCFF funding "supplements", and does not supplant, existing funding for low-income students, English learner students, and student residing in foster care. The Administration appeared open to this LAO recommendation previously. Why was this language not included in the Governor's May Revise?
5. The May Revise includes annual audit provisions related to LCFF. Can the Administration describe these new features and what assurances can they provide, given the broad flexibility inherent in the LCFF?
6. The Governor's May Revise provides a new model for state level oversight and intervention of local academic programs, that appears to build upon the effective fiscal oversight model the state has developed with the Fiscal Crisis and Management Assistance Team. What is the Administration's vision for this new program oversight model?
7. The Governor's May Revise includes several new provisions that, for the first time, recognize students residing in foster care within the state's accountability systems, as well as within the new Local Control Funding Formula. Can the Administration describe some of these new features and how they interact to the benefit of students in foster care?